

## METHOD AND SYSTEM FOR DYNAMIC PRICING

### **ABSTRACT OF THE INVENTION**

**[0129]** The method and system of the present invention enables Internet businesses to conduct real-time, online experiments on a sample of transactions to determine marketplace sensitivities. Analysis of the results of the experiments reveal optimal values of key market decision variables such as price, content of banner ads, promotion levels, quantity discount schemes, etc. The experiments may be automatically conducted on an on-going basis, or may be conducted on a periodic basis. The method and system of the present invention preferably allow users to modify the nature of the experiment and the propagation of optimal values. The method and system of the current invention can be used for a pure diagnostic purpose or to automate the setting of key market variables.

**[0130]** The dynamic experimentation used by the inventive system reveals the relative stability (or instability) of the networked market within which the business operates. The translation of an optimal value for a key variable (for example, price) to the entire market can be done on a real-time basis.